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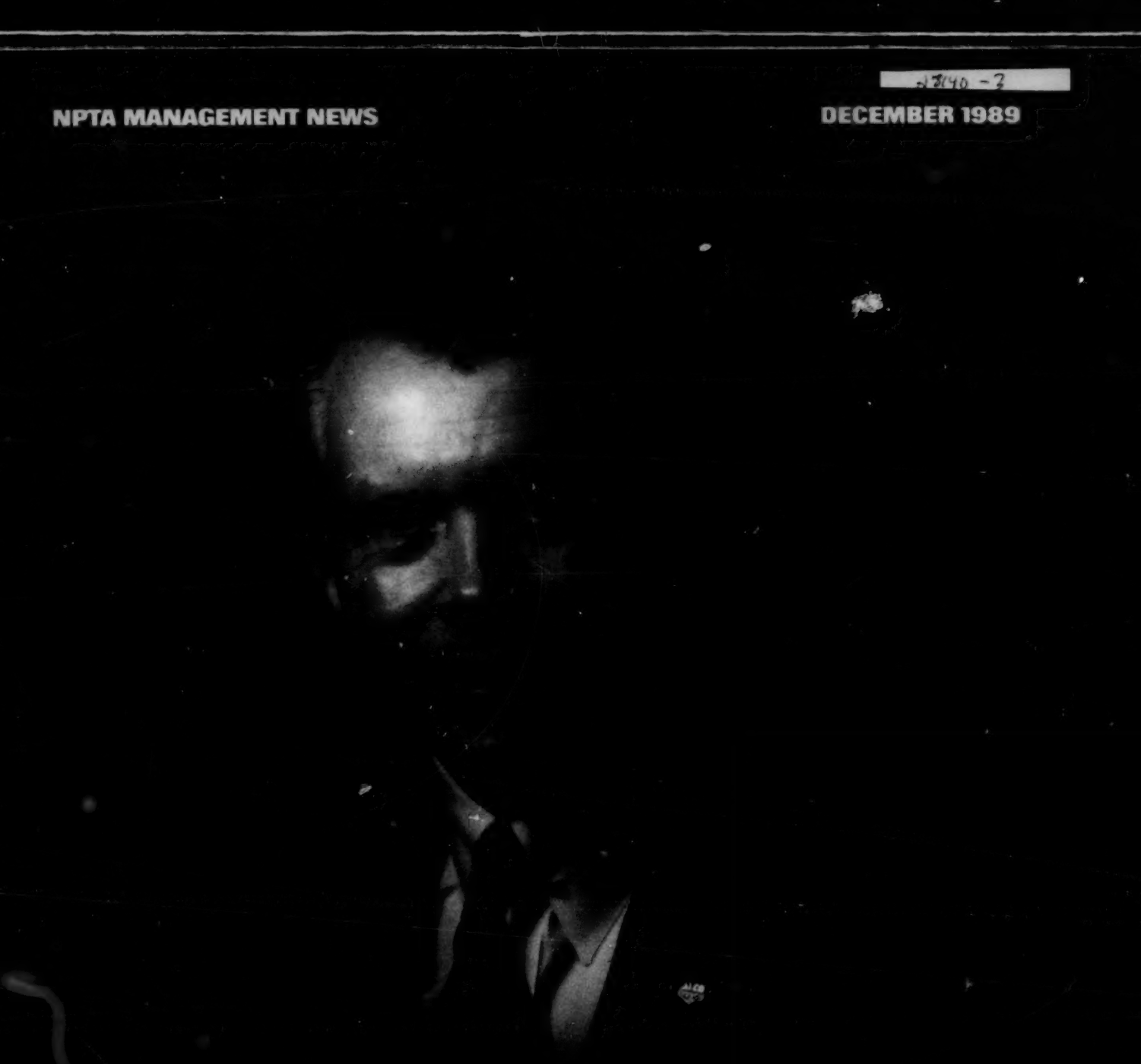

James J. Swearingen

NPTA's New Chairman of the Board

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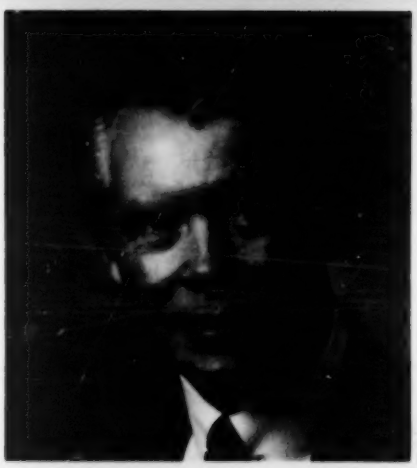

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Merchants Expect 6% Growth for '90

Interest rates and other economic factors count, but according to a new MN survey, distributors say that competitors, customer needs and industrial/printer activity will have the greatest effect on the market.

More than half of the respondents to a new *Management News* reader survey expect their regions to achieve real growth of no more than 6% next year.

What's more, readers rate competitors, customer needs and industrial and printer activity as the factors that will have the greatest influence on the paper and plastics distribution marketplace in 1990.

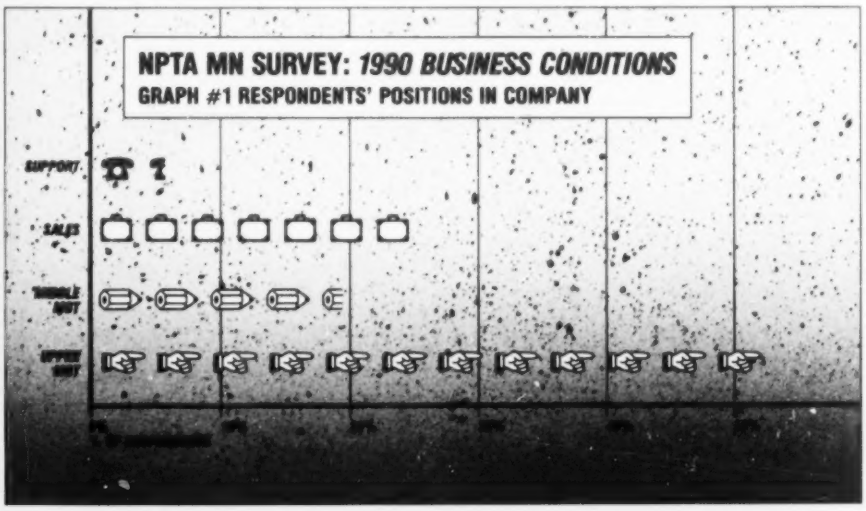
MN's "1990 Business Conditions Confidential Survey" was designed to give a first-hand view of the industry's plans for the year to come. A response card was enclosed in *MN*'s September issue. Readers returned 252 usable responses. Statistical analysis was performed by Healy & Associates, Portsmouth, NH, which reported that the response rate was sufficient to provide meaningful results.

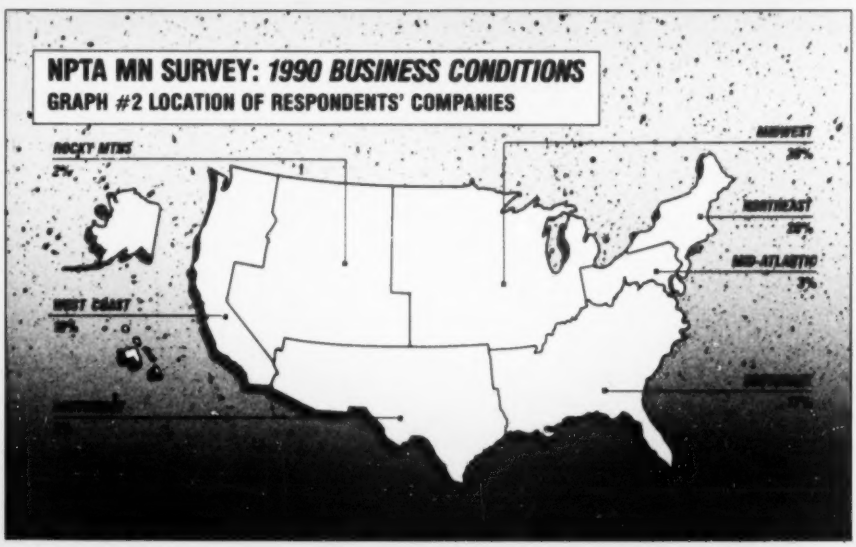
Specifically, 31% of respondents work for printing paper merchant firms, 24% for industrial paper distribution companies, 40% for dual and 5% for "others" (i.e., manufacturers, converters, manufacturers reps).

About three-quarters of respondents hold management positions, with most of the rest in sales. (See Graph 1.)

In terms of company size, about half of those responding work for companies with fewer than 50 employees, about one-third for firms in the 50-100 employee range and the remaining in the over-100 employee category.

Close to 75% of all respondents reside in three parts of the country: Northeast, Midwest and West Coast. (See Graph 2.) This reflects the actual picture of the paper/plastics distribution industry, because the majority of companies, in fact, are concentrated in these areas.





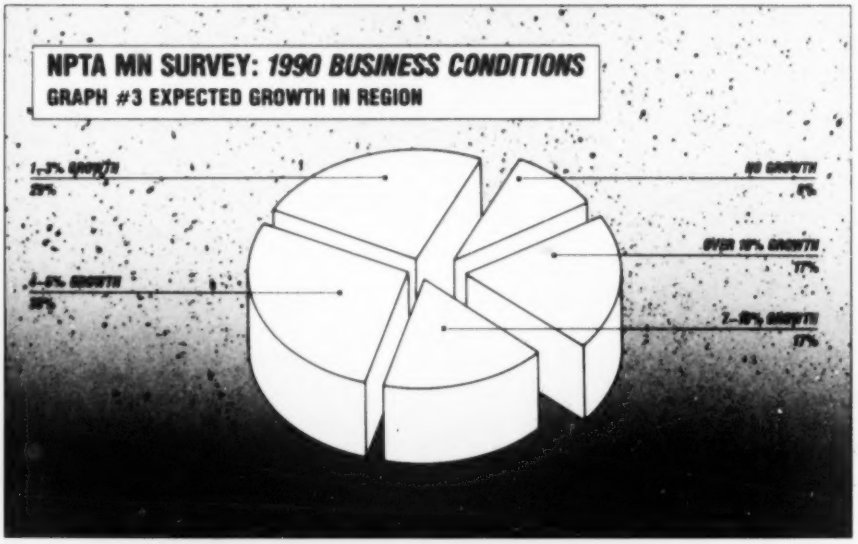
Confident In Their Predictions

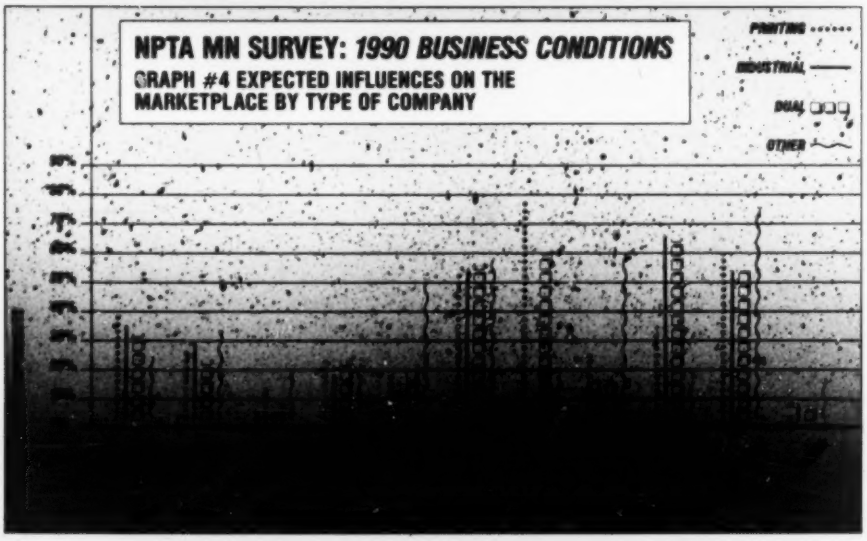
MN's survey asked readers to forecast their region's real growth (taking out inflation) in 1990. The results show merchants fairly divided between the 1-3% and 4-6% growth rate expected for next year—in other words, 59% feel that real growth will be under 6%, the rest over. (See Graph 3.)

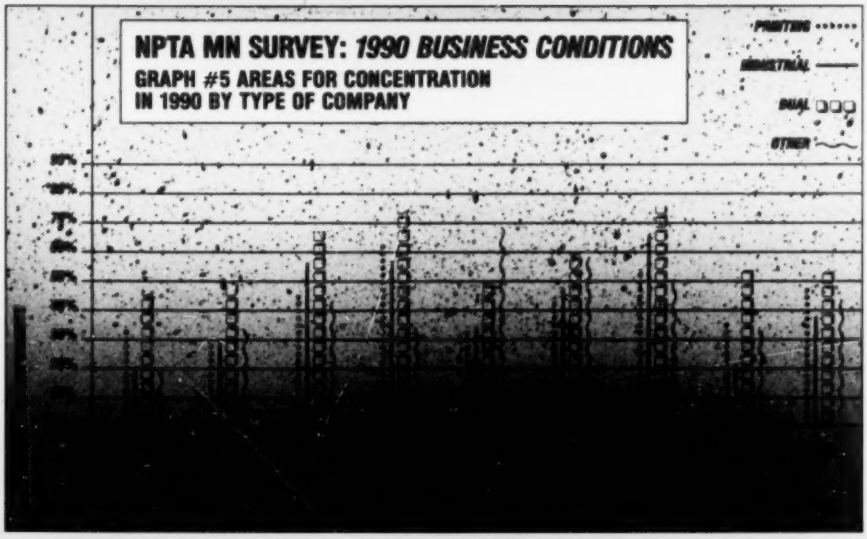
And they are sure. *MN* asked how confident distributors are about these predictions. On a scale of 1-10 (10 being very sure), 81% of all respondents felt sure to very sure about their predictions for 1990. Only about 20% of those surveyed were neutral or unsure about their predictions. On average, the largest firms were the most confident about their forecast.

The results are clear: Distributors are expecting a lower growth year than in 1988 or '89, and they are confident that it will, in fact, occur.

Management's views ran parallel with the averages, but salespeople were some-







what more optimistic. About half of all salespeople responding to the survey felt that real growth will be more than 7% in 1990, a little higher than the average.

Look To The Street

Readers also were asked to reveal what they think are the most influential factors that will affect the paper and plastics distribution marketplace in 1990. In general, all merchants, regardless of company size, maintained that competitors, customer needs, industrial activity and printer activity were far and away the leading indicators. (See Graph 4.) Although some merchants study general economic indicators such as housing starts, interest rates and the strength of the dollar, among others, most look first to the street to predict next year's business scenario.

In the same survey, readers were queried as to what they will concentrate on in 1990 to meet the challenges ahead. The most frequently mentioned areas were budget planning and key account planning. (See Graph 5.)

It's worth mentioning here that a number of readers said they intend to conduct joint planning with suppliers. (This category received the fifth highest score in answer to this question.) The perception that the "partnership" approach is the best way to face the future seems to be growing in importance and taking hold in the industry.

No one wants to get too excited about the future in fear of spoiling their luck. The past few years have shown paper and plastics merchants that solid growth may be achieved in a stable industry. As a matter of fact, wholesale distribution in general and paper distribution specifically have outpaced the economy for the past 10 years.

Things are changing the U.S. economy now. The industry is expected to be softer in 1990, but real growth will probably still outpace the economy at large. Although no one would say that the merchant business is headed for a downturn, cautious optimism will be the watchword for 1990. Merchants are wary because of the effects of a slower-growing economy and yet optimistic about their plans to cope with this situation and ultimately prosper.